

The Honolulu Advertiser

★★ Wednesday, August 28, 1985 A-3

Rewald's attorney grills Kindschi on firm's CIA ties

By Walter Wright

Advertiser Staff Writer

Ronald Rewald's attorney hammered at a key prosecution witness all day yesterday, suggesting that ex-CIA agent John Kindschi was too smart to be ignorant of Rewald's misrepresentations and that Kindschi tried to use a CIA cover operation to enrich himself.

Kindschi admitted that he rode the Bishop Baldwin gravy train first class until it crashed, earning 70 percent on one investment and drawing pay that topped \$7,000 a month and included perquisites such as a new car and a liberal travel allowance.

But Kindschi denied that Bishop Baldwin was a CIA cover operation and insisted he believed Rewald's claims about the company and its investments to the end.

Rewald admits taking money from investors under false pretenses, but says he did it to maintain CIA cover as a wealthy businessman and in the belief the CIA would reimburse the money.

Kindschi said it was a "bald-faced lie" to suggest that he hid behind a CIA cover to line his own pockets at Bishop Baldwin.

The money he got, Kindschi said, turned out to be his own, and far from all of what he invested for himself and his mother.

His own testimony and prosecution and defense documents showed Kindschi to be involved

with Rewald personally and financially long before Kindschi retired from the CIA and at a time when Rewald was being used at least to provide "back-stop" cover for other CIA personnel through a phony company located in Bishop Baldwin offices.

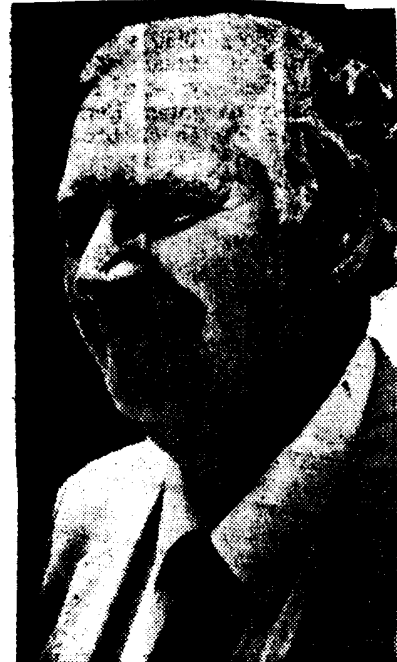
But Kindschi said he knew of no CIA regulation prohibiting his actions.

Two other Bishop Baldwin consultants were identified yesterday as having had some links to the CIA while on the Bishop Baldwin payroll.

Kindschi, who once stood eyeball to eyeball with the Soviets in undercover operations in Europe, testified he probably dropped his guard when he came home to America to work in the CIA's overt, public "Domestic Collections Division," ultimately running the CIA's one-man public office in Honolulu.

Kindschi admitted he was probably "premature" in accepting a free car from Rewald a few weeks before he actually retired from the CIA in July 1980.

But he said he understood the car, and draws of \$1,000 a month which he began receiving in 1980, were related to his earlier \$47,000 investment in and potential employment with another Rewald venture, Interpacific Sports.



John Kindschi
"Here to tell you the truth"

The Honolulu Advertiser Wednesday, August 28, 1985 A 4

Later, the draws gave way to monthly paychecks from Bishop Baldwin itself, Kindschi said, and had reached \$4,000 a month in January 1983. That money was paid whether Kindschi did any actual work as a "consultant" or not, he acknowledged. Any actual work he did — such as rewriting a brochure and press release and drafting quarterly reports on the economy — was billed at \$60 an hour.

Deputy Federal Public Defender Brian Tamanaha confronted Kindschi with letters he'd received in which others questioned Bishop Baldwin's claim of \$150,000 insurance from the Federal Deposit Insurance Corp. (FDIC).

The FDIC in fact insures deposits only to \$100,000, and then only in banks.

But Kindschi said that despite his background as a high school economics teacher, despite his wide reading in financial journals and despite others' persistent questions, he still accepted Rewald's assertion that somehow the FDIC would bail out investors up to \$150,000 if Bishop Baldwin should ever go bankrupt.

So, he added, did a lot of other professionals who invested with and/or worked for the company.

Kindschi also said he believed Rewald's representations that the company was an old one, even though he knew it had been incorporated in what he thought was its latest incarnation only in 1978.

Although Bishop Baldwin itself was not a cover company for the CIA, Kindschi said, there were "equities" and "sources and methods" to be protected when it collapsed.

That was why he initially evaded questions from some investigators, Kindschi said.

But now, Kindschi said, "in this particular case the sources and methods have gone by the board, my secrecy oath has been waived, negated, and I am here to tell you the truth."

The CIA nevertheless is still attempting to protect some of its sources and methods which were threatened with exposure by the Rewald affair.

Hundreds of classified documents sought by the defense in the criminal case have been ruled irrelevant by U.S. District Judge Harold Fong and many of those that have been admitted in evidence have large areas blacked out.

One of the sources has been identified as "John Doe 14," a CIA contract agent winding down his career when he joined Bishop Baldwin just three months before retiring from CIA work.

Kindschi denied on cross-examination that he had "directed" Rewald to hire John Doe 14. He acknowledged that a special set of Bishop Baldwin brochures was sent to John Doe 14, omitting Kindschi's own name as a consultant.

Those circumstances — and Rewald's own private claims — suggest that John Doe 14 is Charles Conner, the man hired as Bishop Baldwin's consultant in Sweden and a man Kindschi said he knew "socially" when Kindschi was working undercover in Sweden.

John Doe 14 is the first person mentioned so far in the case as having worked for pay for the CIA and Bishop Baldwin at the same time.

But the government says the CIA's relationship to John Doe 14 was not related to Bishop Baldwin, that the CIA did not ask Rewald to use or hire him for any CIA activity and that the CIA in fact was unaware of John Doe 14's activities for Bishop Baldwin until after it collapsed.

A CIA relationship with yet another Bishop Baldwin consultant, Capt. Edwin "Ned" Avary, was suggested by the defense in cross-examination of Kindschi yesterday.

Kindschi denied having had previous CIA-related contact with Avary, but Tamanaha produced a document purportedly showing Avary had been checked out for use by the CIA as early as March 1973.

Avary, a former Pan American World Airways pilot and an inveterate traveler in his retirement, confirmed in an interview last night that he had done "volunteer work" for the CIA, "like a hell of a lot of other people. I was what they call a walk-in," he said.